UNITED NATIONS

FINANCIAL REPORT
and
AUDITED FINANCIAL STATEMENTS
for the biennium ended 31 December 1989
and
REPORT OF THE BOARD OF AUDITORS

Volume III
(United Nations University)

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTY-FIFTH SESSION

SUPPLEMENT No. 5 (A/45/5)

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New York, 1990

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The financial report and audited financial statements for the biennium ended 31 December 1989 and the report of the Board of Auditors regarding the United Nations and the International Trade Centre are being issued as volume I and volume II, respectively.

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[23 July 1990]

CONTENTS

		Page
LETTERS OF TRANSMITTAL		iv
I.	FINANCIAL REPORT FOR THE BIENNIUM 1988-1989 ENDED 31 DECEMBER 1989	1
II.	REPORT OF THE BOARD OF AUDITORS	5
III.	AUDIT OPINION	14
IV.	CERTIFICATION OF THE FINANCIAL STATEMENTS	15
V.	FINANCIAL STATEMENTS FOR THE BIENNIUM 1988-1989 ENDED 31 DECEMBER 1989	17
	Statement I. Combined statement of income and expenditure for the biennium 1988-1989 ended 31 December 1989	18
	Statement II. Combined statement of assets and liabilities as at 31 December 1989	19
	Schedule 2.1 Combined status of pledges unpaid as at 31 December 1989	20
	Schedule 2.2 Other trust funds: Schedule of income and expenditure and fund balance for the biennium 1988-1989 ended 31 December 1989	22
Notes to the financial statements		24

LETTERS OF TRANSMITTAL

31 March 1990

Dear Mr. Chairman,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1988-1989 ended 31 December 1989, which I hereby approve. The financial statements have been prepared and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Yours sincerely,

(Signed) Javier PEREZ DE CUELLAR

Mr. Eufemio C. Domingo
Chairman
United Nations Board of Auditors
New York

25 June 1990

Sir,

I have the honour to transmit to you the financial statements of the United Nations University for the biennium 1988-1989 ended 31 December 1989, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) O. T. PREMPEH
Auditor-General of Ghana
and Chairman of the United
Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

I. FINANCIAL REPORT FOR THE BIENNIUM 1988-1989 ENDED 31 DECEMBER 1989

Introduction

1. The establishment of a United Nations University was first proposed by Secretary-General U Thant in 1969 and a Founding Committee was established in 1971. The General Assembly adopted the Charter of the United Nations University by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area in Japan. Authority for the University's policies, work programmes and budget is vested in a Council of 24 members who serve in their individual capacity. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University.

Financing of the United Nations University

2. According to the Charter of the United Nations University, capital costs and recurrent costs of the University shall be met from voluntary contributions for the University or from income derived from contributions. In accordance with the Charter of the University, the funds of the University shall be kept in a special account established by the Secretary-General of the United Nations. Contributions are made by Governments and by non-governmental sources, including foundations, universities and individuals.

3. The University derives its financial support from two sources: income from an Endowment Fund and contributions to the General Operating Fund. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental as well as non-governmental. At its ninth session, held in Tokyo from 5 to 9 December 1977, the University Council decided to establish a special section in the Endowment Fund for the purpose of financing the University's programmes designed to assist the developing countries. The purpose of this action is to increase funding available to the University to assist its work relevant to development. As the work of the University expanded, the Endowment and Operating Funds were enhanced by voluntary contributions for the World Institute for Development Economics Research (WIDER), the Institute for Natural Resources in Africa, the Institute for New Technology and other specific activities.

4. During the biennium, the following Governments pledged and/or made contributions to the Endowment and Operating Funds: Austria, Brazil, China, Egypt, Finland, Ghana, Greece, Ireland, Italy, Japan, Macao, Netherlands, Nigeria, Norway, Spain, Sri Lanka, Sweden, Switzerland and Uruguay. Although the unpaid pledges from Algeria, the Libyan Arab Jamahiriya, Senegal, the Sudan and the United Republic of Tanzania have been deleted from the combined status of pledges unpaid as at 31 December 1989, the University will continue to pursue the collection of those long outstanding amounts.

Financial position of the United Nations University

5. As shown in statement I, the total income from all sources amounted to $65.9 million in the biennium 1988-1989 ended 31 December 1989, including interest income of $31.5 million.

6. The total expenditure amounted to $41.6 million for this period, of which $2.7 million comprised unliquidated obligations as at 31 December 1989.

7. The breakdown of expenditure by major object of expenditure is as follows:

	Millions of United States dollars	Percentage
Staff and other personnel costs	20.5	49.3
Travel	1.2	2.9
Contractual services	1.7	4.1
Operating expenses	8.0	19.2
Acquisitions	0.1	0.2
Fellowships, grants, other	10.1	24.3
Total	41.6	100.0

8. Statement II shows that the combined assets amounted to $212.5 million and the combined liabilities to $9.1 million. The assets include $19 million, representing pledged contributions to the United Nations University receivable from Governments, the details of which are given in schedule 2.1.

9. The fund balance of the General Account Operating Fund and the WIDER Trust Fund Operating Fund as at 31 December 1989 amounted to $11.3 million and $5.8 million, respectively.

10. Schedule 2.1 reflects the combined status of pledges as at 31 December 1989. The total amount collected during the biennium was $26.2 million, leaving $19 million in unpaid pledges as at 31 December 1989.

11. The total interest earned on the General Account Endowment Fund was $25.2 million and, on the WIDER Endowment Fund, $4.5 million. These amounts were transferred to the respective Operating Funds.

Activities of the University

12. The biennium 1988-1989 was the transitional period from the first Medium-Term Perspective for 1982-1987 to the second for 1990-1995. At its thirty-second session in December 1988, the United Nations University Council adopted the second Medium-Term Perspective and established the University's basic intellectual blueprint for programmatic and institutional development for the period from 1990 to 1995 and beyond. Main programme focuses of the second Perspective are: universal human values and global responsibilities; new directives in the world economy; sustaining global life-support system; advances in science and technology;

and population dynamics and human welfare. The present reporting period, therefore, could be considerred as the preparatory period for the new Medium-Term Perspective.

13. At its thirty-fourth session, held in December 1989, the United Nations University Council was informed by the Rector that a decision had been taken to change the name of the University's publishing unit from Academic Publication Services to the United Nations University Press. With this change, the University hopes to demonstrate more actively its role as a scholarly publisher. A total of 51 new books, including two from WIDER, were published during the period in various languages by the Tokyo headquarters or co-publishers around the world. Of previously published titles, five were reprinted. Thirty-two issues of the University's four journals were published: eight issues of ASSET; eight issues of Food and Nutrition Bulletin (quarterly); eight issues of Journal of Food Composition and Analysis (quarterly); and eight issues of Mountain Research and Development (quarterly). A number of books, booklets and research papers were also produced by the University's research networks, and a collection of working papers and country studies were issued by WIDER.

14. During the period, a total of 70 United Nations University Fellows started training in the areas of food science and technology, renewable sources of energy, remote-sensing technology, household, gender and age, geothermal energy and microprocessor technology. With 81 Fellows completing their training during the period, the total number of University Fellows who completed training since 1976 stands at 989 by the end of 1989. Approximately one fourth of the total fellowships to date have been awarded to women.

15. The Institute for New Technologies, which will be located at Maastricht (Netherlands), was formally established by the University Council in July 1988. The primary purpose of the Institute is to undertake research, advanced training, dissemination and advisory services on selected new technologies, taking into account the needs of developing countries. The Memorandum of Agreement and the Host Country Agreement have been signed between the University and the Government of the Netherlands, which made the first installment in the amount of f. 20 million in December 1989.

16. The feasibility study on the proposed Institute for Software Technology was endorsed by the University Council at its thirty-third session in July 1989. The central purpose of the Institute would be to undertake research, advanced training and dissemination of knowledge on the development and adaption of advanced computer software to meet the needs and strengthen the capabilities of developing countries in software technology.

17. Construction of the new headquarters building, which is expected to be ready for occupation in late 1991 has begun. This new building will enhance the visibility of the University. In addition, it will provide a highly desirable working environment for the University's programme activities.

18. In accordance with the University Council's decision on the establishment of an independently managed investment portfolio for the University's funds, the University has consulted with the Secretary-General and the Controller. The United Nations Secretariat and the University have agreed to propose the amendment of the University's Charter and to establish the University's own Financial Regulations and Rules, whereby the Rector shall have the delegated authority to perform all

necessary financial and accounting functions for the University, including custody of its funds and the preparation and certification of the annual accounts.

19. The restructuring of the University Centre was completed by the end of 1989, in the context of the overall institutional development of the University, as outlined in its second Medium-Term Perspective for 1990-1995. The Centre's new organizational set-up consists of five units to assist the Rector in his overall responsibility for the direction, managmeent and programmes of the University. These units are: the Office of the Rector, two Academic Divisions, the Planning and Development Division and the Administrative Services Division.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I) of 7 December 1946 and article IX of the Charter of the United Nations University, the Board of Auditors has audited the accounts of the University for the biennium ended 31 December 1989.

2. The examination was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency.

3. The Board of Auditors continued its normal practice of reporting the results of specific audits in the headquarters and of issuing management letters containing detailed audit observations to the Administration. In addition, a maiden audit of the accounts of the University's World Institute for Development Economics Research (WIDER) was conducted at Helsinki.

4. The present report includes significant audit matters arising from our audits during the biennium. We have discussed those matters with the Administration whose responses have been incorporated where appropriate.

5. The present report is divided into two parts, covering the audit of financial statements and management issues, respectively.

Summary of recommendations

6. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Investment transactions should be taken up in the accounts on the date of receipt of confirmation of investment placement (see para. 18);

(b) Adequate procedures should be established in order to ensure the availability of accurate and timely investment information. In addition, a review of investment opportunities in favour of long-term placements should be considered (see para. 24);

(c) Monitoring procedures should be improved in order to ensure the timely submission of travel claims and the prompt accounting for travel advances (see para. 30);

(d) The Administration should ensure the early finalization of the new procedures for programme planning and management in order to enhance programme delivery (see para. 34);

(e) WIDER should examine the feasibility of producing its own financial regulations and rules to cater for its specific needs and to ensure consistency of application of rules and procedures (see para. 38);

(f) The Institute should continue with its efforts to complete the development of its copyright policies and publications procedures for distribution to its publishers and researchers (see para. 44).

Summary of findings

7. Long overdue pledges receivable amounting to $5.8 million were deleted from the schedule of pledged contributions unpaid (see para. 14).

8. The University continued to record investment transactions only on receipt of the relevant bank statements and investment reports, rather than on the date of placement of the funds (see para. 16).

9. We observed an absence of adequate records that could provide timely investment information and noted the need to increase long-term investments (see para. 23).

10. Internal control of library books could be enhanced by the development of documented lending procedures (see para. 26).

11. We noted that contracts with consultants were extended for long periods after their original expiry dates in order to allow time for the submission of outputs (see para. 32).

12. WIDER lacks the financial regulations and rules to respond to some of its specific needs, especially in the recruitment and travel of research collaborators (see paras. 36 and 37).

13. We observed an increase in the Institute's publication activities, while the development of its copyright policies and publication procedures had not been finalized (see para. 41).

Part I: Financial statements

Status of prior years contributions

14. In its previous report, 1/ the Board recommended the assessment of the collectability of long outstanding unpaid pledges with a view to effecting appropriate adjustments in the accounts. We noted that, after many unsuccessful follow-up actions, the Administration deleted from the schedule of pledged contributions unpaid an amount of $5.8 million, which had remained uncollected for periods ranging between 8 and 13 years. However, if payments of the adjusted overdue receivables are obtained later, the University would receive them as income.

15. The previous balance of $8.9 million for pledges overdue for more than five years reflected in a schedule of pledged contributions unpaid was therefore reduced

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1/ Official Records of the General Assembly, Forty-third Session, Supplement No. 5 (A/43/5, vol. III, sect. II.

to $3 million. The Administration informed us that adequate arrangements had been concluded with the donor and that the payment of the overdue outstanding pledges as of the biennium 1988-1989 may be secured in due course.

Recording of investment transactions

16. We noted that the University continues to record investment transactions upon the receipt of the relevant bank statements and investment reports from the Treasurer of the United Nations. Recording is not made on the date that the telex authorization is issued by the University for the placement of funds.

17. The bank statements and investment reports are rather meant to confirm the investment and bank transactions that have already been executed and should have been recorded in the books of accounts. As in the case of other financial transactions, it is believed that recording the transactions only on receipt of relevant documentation rather than when they occurred does not enhance internal control.

18. We reiterated our previous recommendation 1/ that disbursement vouchers should be prepared upon the receipt of the telex confirmation from United Nations Headquarters on investment placements in order to ensure further improvement in the management of investment accounts.

19. In accepting our recommendation, the Administration said that interest income would none the less be recorded only upon the receipt of the relevant bank statements, since this information would not be available prior to that date.

Liquidity position

20. As detailed below, it will be realized that the University has a solid liquidity position as portrayed by significant surplus recorded during the past three bienniums. As shown in statement I, the total income for the biennium 1988-1989 amounted to $65.9 million, against which an expenditure of $41.6 million was incurred, resulting in a surplus of $24.3 million, which has been transferred to the fund balance in statement II.

21. The appraisal of the University's financial status reveals a very high liquidity ration, which has been rising since 1985, from 8.3 in 1984-1985 (total assets over total liabilities), to 23.2 in 1988-1989. As stated elsewhere in the present report, there is a need to maximize returns on idle funds.

	1984-1985	1986-1987	1988-1989
	(United States dollars)		
Total income from all sources	53 157 528	67 518 145	65 937 973
Total expenditure	34 489 046	42 650 158	41 593 795
Net surplus (excess of income over expenditure)	18 668 482	24 867 987	24 344 178
Total assets	181 890 021	197 980 348	212 505 747
Total liabilities	21 891 497	13 113 837	9 141 771
Fund balance	159 998 524	184 866 511	203 363 976
Liquidity ratio	8.3	15.1	23.2

22. The Administration explained that the surpluses outlined in the table included contributions to the Endowment Fund which should not be included as income since they are available only for investment purposes. The actual net surplus, therefore, amounted to $7,387,835 in 1984/1985, $8,475,727 in 1986/1987 and $7,276,273 in 1988/1989. The surplus has been put into short-term investments. The Administration hopes that, after the ongoing consultations with the United Nations have been finalized, the University will move into longer-term investments in order to maximize income.

Part II: Management issues

Investment management

23. In accordance with article IX of the United Nations Financial Regulations and Rules, all investment placements are made by the Controller upon the recommendations of the University. However, the University does not keep adequate records to ensure the availability of timely investment information:

(a) In the absence of cash position statements and an investment ledger, the Finance Section reviews the University's cash position with data in the investment ledger submitted by the United Nations and other information contained in telex correspondence between the University and the United Nations so as to be able to arrive at funds available for investment. This cumbersome procedure does not ensure that investment decisions are made on the basis of accurate and current information;

(b) Our review also indicated that, out of the total Endowment Fund of $168.6 million, short-term investments amounted to $110.3 million, as analysed below:

Analysis of investments by maturity and currency as at 31 December 1989

Currency	Total	Under 1 year	Between 1 and 5 years	Over five years
United States dollars	108 035 733	74 035 733	4 000 000	30 000 000
Japanese yen	43 340 136	27 500 975	-	15 839 161
Pounds sterling	10 568 397	7 414 517	3 153 880	-
Finnish markkaa	17 220 505	11 855 799	5 364 706	-
Netherlands guilders	9 916 782	9 916 782	-	-
Others	479 315	479 315	-	-
Total	189 560 868	131 203 121	12 518 586	45 839 161
Endowment Fund	(168 648 742)	(110 290 995)	(12 518 586)	(45 839 161)

It can be seen that about 65 per cent of the Endowment Fund was invested in short-term deposits, which usually do not provide maximum returns on investment.

24. We recommend that adequate procedures should be established to ensure the availability of accurate and timely investment information. We also reaffirmed our previous recommendation 1/ that a review of United Nations University investment opportunities be undertaken in favour of long-term investments in order to maximize income.

25. The Administration replied as follows: "Consultations regarding the establishment of the investment portfolio and the relevant procedures aiming at the maximum return for the University funds are ongoing with the appropriate offices of the United Nations. In this regard, we have taken due note of the observations and the recommendation of the Board and it is the intention of the University to ensure the availability of accurate and timely investment information at all times. Please note, however, that, under the current arrangement with the United Nations, the University is not able to invest its funds on a long-term basis and all funds are invested in short term CDs [certificates of deposit]."

Library books

26. We observed that, in the absence of documented lending procedures, effective control of books was weakened, as follows:

(a) The number of books to be borrowed at one time by an individual has not been specified;

(b) Books were retained for long periods, sometimes resulting in losses;

(c) Ad hoc lending arrangements existed.

27. Although replacement costs were recovered, we noted that various books were still due from separated staff members. We recommended that lending procedures should be developed in order to ensure further improvement in the control of books.

28. The Administration said that, at present, the University's library serves mainly the needs of its own research activities. Considering the small size of the University, its lending procedures permit a degree of controlled flexibility to facilitate the work of its research staff. However, lending of certain relevant books was arranged under special permission to persons who left Tokyo but are still working for the University, so as to enable them to complete their research projects for the University. The Administration also noted our observation on the establishment of new policies and procedures in view of the envisaged development of a large collection in the new permanent headquarters building. We acknowledge that action has already started in that direction.

Delays in submitting travel claims

29. The requirement of Administrative Instruction ST/AI/257 on the timely submission of travel claims (F.10) after the completion of travel was not complied with in all cases. Consequently, travel advances paid to staff members remained unliquidated for many months. Inadequate follow-up action is blamed for this situation.

30. We recommended that monitoring procedures should be improved to permit the timely submission of both travel claims and travel reports in order to ensure prompt accounting for travel advances.

31. The Administration gave assurances that it would request travelling staff members to submit travel reports together with their travel claims and that it would continue to stress the importance of their timely submission. Periodic reviews are being planned to enforce this.

Project activities

32. The untimely submission of requests by unit heads resulted in the signing of contract agreements by consultants long after the commencement of work. Our review also indicated several instances of extensions of contracts for relatively long periods after their original expiry dates, in order to allow time for the submission of reports. We noted, in particular, two cases where contracts had been extended by 25 and 31 months. Although we appreciate the concern that the submission should not be sacrificed for time taken to produce the output, we believe that a closer monitoring of contract implementation would limit the incidence of long delays in the completion of contracts.

33. We also observed that workplans provided on certain project activities were not elaborate enough to indicate time-frames when specified outputs, including progress reports, were to be produced or submitted.

34. In order to ensure effective redress of the weakness stated above, we recommended that the Administration should continue with its efforts to formalize the new procedures for programme planning and management.

35. The Administration took note of our observations and recommendation. It added that the document on principles and policies for programme planning, implementation

and evaluation would be submitted to the United Nations University Council for its approval at its thirty-fifth session scheduled to be held from 25 to 29 June 1990.

World Institute of Development Economics Research

Engagement of research advisers under special service agreements

36. Our review of procedures for recruiting research advisers of WIDER disclosed that they are engaged under special service agreement, by which appointments should not exceed nine months' duration as laid down in United Nations Administrative Instruction ST/AI/296. The research advisers were, however, engaged on a part-time basis for continuing periods of one year's duration each. Since their services are required for long periods, the requirements of the special service agreement by which they are employed could not be met.

37. We also noted that the Institute's research collaborators were unable to submit their travel claims within the period required by United Nations travel procedures because they live outside the Institute's headquarters (Helsinki). We further observed that paragraph 6 of article VII of the Statute of WIDER provides that "the financial operations of the Institute shall be regulated by directives issued by the Board and approved by the Council".

38. We recommend that the Board should examine the feasibility of producing financial regulations and rules to cater to the specific needs of the Institute, where necessary, in order to ensure consistency in the application of rules and procedures to enhance financial administration.

39. The Administration responded to our observations as follows: "The matter concerns the utilization of the SSA for retaining the services of Research Advisers beyond a period of nine months which practice is strictly not in accordance with ST/AI/296 relating to the engagement of consultants. In this regard, it has to be pointed out that the Research Advisers are paid only part-time remuneration, although their services are contracted for a period of 12 months at a time. This question is under review as part of the overall personnel policies and procedures which are being developed for the University as a whole." The Administration further advised the Board that the Institute's in-house staff have been reminded by an internal memorandum about the submission of travel claims within two weeks of completion of travel.

40. With regard to our recommendation, the Administration said it would not be appropriate for the Institute to formulate separate financial regulations and rules, as it is an integral part of the United Nations University.

Documentation of the copyright policies of the World Institute for Development Economics Research

41. We observed in our review that the publication activities of the Institute were increasing at a rapid rate, but that the development of its copyright policies and publication procedures had not been completed.

42. In view of the steady growth of the Institute's publication and the emergence of publications using only portions of its research material, it is believed that the absence of a written document stating the Institute's copyright policies and

publication procedures might create a possible conflict of interest between the Institute and its publishers or researchers.

43. Furthermore, the United Nations policy on copyright relating to the work of consultants engaged under special service agreement requires that WIDER should be entitled to all property rights, copyrights and trademarks, with regard to material that bears a direct relation to, or is made in consequence of, the services provided to WIDER by a consultant.

44. In order to avoid possible conflict of interests, it was recommended and WIDER agreed, that it should continue with its efforts to complete the development of its copyright policies and publication procedures for distribution to its publishers and researchers.

45. The Administration informed us that since WIDER is an integral part of the United Nations University, the provisions of the United Nations University Policy on Scholarly Publishing, which was approved by the University Council in 1979, are applicable.

Implementation of financial rule 114.1

46. Our review did not disclose financial improprieties committed by any staff members of the University. We did not find indications that the present administrative procedures for enforcing personal responsibilities in breaches of financial discipline are inadequate in the particular circumstances of the United Nations University.

Fraud and write-offs of losses

47. In accordance with United Nations financial rule 110.14, the Administration informed the Board that there was no known case of fraud or presumptive fraud and that there were no write-offs of cash, stores and other assets.

Comments on matters dealt with in the 1987 report

48. The matters contained in our report for the biennium 1986-1987 have either been resolved to our satisfaction or mentioned again in the present report.

Acknowledgement

49. The Board wishes to express its appreciation for the co-operation and assistance extended to the external auditors by the Rector, his officers and members of their staff.

(Signed) O. T. PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman of the Commission on
Audit of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of the Federal Republic
of Germany

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I and II, properly identified, and relevant schedules of the United Nations University for the financial period ended 31 December 1989. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) O. T. PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman of the Commission on
Audit of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of the Federal Republic
of Germany

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

31 March 1990

I certify that the appended financial statements of the United Nations University, numbered I to II, are correct.

(Signed) Luis Maria GOMEZ
Controller

V. FINANCIAL STATEMENTS FOR THE BIENNIUM 1988-1989 ENDED 31 DECEMBER 1989

STATEMENT I

UNITED NATIONS UNIVERSITY

Combined statement of income and expenditure for the biennium 1988-1989 ended 31 December 1989

(United States dollars)

	General Account		WIDER Trust Fund		Other	Total	
	Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	trust funds	1989	1987
Income							
Contributions from Governments (schedule 2.1)	3 819 319	407 772	3 556 691	7 170 462	13 394 169	28 348 413	22 237 049
Other contributions	2 535 234	-	-	-	855 187	3 390 421	1 710 748
Subventions from Endowment Fund	25 210 444	-	4 515 066	-	-	- a/	- a/
Interest income	13 551	25 210 444	1 683 243	4 515 066	92 041	31 514 345	34 556 136
Miscellaneous income	1 559 549 b/	-	612 453 c/	-	512 792	2 684 794	9 014 212
Total income	33 138 097	25 618 216	10 367 453	11 685 528	14 854 189 d/	65 937 973	67 518 145
Expenditure							
Staff and other personnel costs	17 443 508	-	3 062 622	-	-	20 506 130	20 172 625
Travel	965 401	-	234 047	-	-	1 199 448	1 465 418
Contractual services	1 419 985	-	235 675	-	-	1 655 660	2 576 398
Operating expenses	1 332 664	5 243 240 e/	960 171	492 741 e/	8 737	8 037 553	2 881 417
Acquisitions	34 821	-	89 240	-	-	124 061	178 054
Transfer to Operating Fund	-	25 210 444	-	4 515 066	-	- a/	- a/
Fellowships, grants, other	6 847 711	-	1 862 263	-	1 360 969	10 070 943	15 376 246
Total expenditure (note 7)	28 044 090	30 453 684	6 444 018	5 007 807	1 369 706	41 593 795	42 650 158
Excess of income over expenditure (statement II)	5 094 007	(4 835 468)	3 923 435	6 677 721	13 484 483	24 344 178	24 867 987

(Schedule 2.2)

a/ Net of adjustment for elimination of interfund transfers.

b/ Includes $1,482,983 savings in liquidation of prior period's obligations.

c/ Includes $294,438 savings in liquidation of prior period's obligations.

d/ Includes INRA Endowment Fund contribution of $100,000 and INTECH Endowment Fund contribution of $9,389,671.

e/ Loss on exchange (revaluation).

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS UNIVERSITY

Combined statement of assets and liabilities as at 31 December 1989

(United States dollars)

	General Account		WIDER Trust Fund		Other	Total	
	Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	trust funds	1989	1987 a/
Assets							
Cash (note 6)	652 365	128 020 845	4 648 856	25 651 764	10 182 048	169 155 878 b/	144 070 856
Investments (note 6)	-	16 190 872	-	4 214 118	-	20 404 990 c/	21 533 276
Pledged contributions unpaid (schedule 2.1 and note 5)	776 724	3 089 695	-	925 000	14 248 976	19 040 395	26 552 749
Accounts receivable (note 2)	425 636	2 385 617	90 404	732 236	195 268	3 829 161	5 735 520
Interfund balances receivable	12 034 768	-	3 210 045	-	2 464 846	- d/	- d/
Deferred charges and other assets (note 3)	75 323	-	-	-	-	75 323	87 947
Total assets	13 964 816	149 687 029	7 949 305	31 523 118	27 091 138	212 505 747	197 980 348
Liabilities							
Accounts payable (note 4)	157 260	-	194 469	-	-	351 729	245 335
Unliquidated obligations	2 147 580	-	562 626	-	-	2 710 206	2 967 187
Interfund balances payable	-	12 970 516	1 376 389	3 359 331	3 423	- d/	- d/
Deferred income (schedule 2.1)	400 000	-	-	925 000	4 754 836	6 079 836	9 901 315
Total liabilities	2 704 840	12 970 516	2 133 484	4 284 331	4 758 259	9 141 771	13 113 837
Fund balance							
Balance available 1 January 1988	6 165 969 e/	147 398 694	1 892 386	20 561 066	8 848 396 e/	184 866 511	159 998 524
Add: Excess of income over expenditure (statement I)	5 094 007	(4 835 468)	3 923 435	6 677 721	13 484 483	24 344 178	24 867 987
Subtotal	11 259 976	142 563 226	5 815 821	27 238 787	22 332 879	209 210 689	184 866 511
Less: Adjustment for prior period	-	(5 846 713) f/	-	-	-	(5 846 713)	-
Balance available 31 December 1989	11 259 976	136 716 513	5 815 821	27 238 787	22 332 879 g/	203 363 976	184 866 511
Total liabilities and fund balance	13 964 816	149 687 029	7 949 305	31 523 118	27 091 138	212 505 747	197 980 348

(schedule 2.2)

a/ Comparative figures reclassified to conform to current presentation.

b/ Includes interest-bearing bank deposits of $167,399,210.

c/ Comprised of investment in bonds.

d/ Net of adjustment for elimination of interfund balances.

e/ Reflects transfers of $1,497,431 from Other trust funds operating to Operating Fund as at 1 January 1988, following the inclusion of certain activities, previously administered separately, in the Operating Fund budget for the biennium 1988-1989.

f/ Deletion of long outstanding pledges (see para. 4 of financial report).

g/ Includes INRA Endowment Fund balance of $7,542,337 and INTEC Endowment Fund balance of $9,900,990.

The accompanying notes are an integral part of the financial statements.

SCHEDULE 2.1

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 1989

(United States dollars)

Countries/funds	Unpaid pledges as at 1 January 1988	Add: Pledges for 1988-1989 and adjustments	Add: Pledges for future years	Less: Collection during 1988 and 1989	Add: Gain/(loss) on exchange	Unpaid pledges as at 31 December 1989
General Account - Operating Fund						
Austria	35 200 a/	-	-	34 800	(400)	-
Brazil	-	332 063	-	57 063	-	275 000
China	-	50 000	-	50 000	-	-
Egypt	-	50 000	200 000	-	-	250 000
France	-	63 492	-	62 992	(500)	-
Greece	-	80 000	-	80 000	-	-
Ireland	-	269 724	-	261 283	(8 441)	-
Italy	-	313 982	-	313 982	-	-
Japan	-	2 450 000	-	2 450 000	-	-
Macao	-	150 000	-	150 000	-	-
Spain	-	51 724	-	-	-	51 724
Sri Lanka	(3 334)	8 334	-	5 000	-	-
Switzerland	-	-	200 000	-	-	200 000
Subtotal	31 866	3 819 319	400 000	3 465 120	(9 341)	776 724
General Account - Endowment Fund						
Algeria	30 000	(30 000) b/	-	-	-	-
Austria	62 746	269 065	-	328 620	(3 191)	-
China	-	50 000	-	50 000	-	-
Libyan Arab Jamahiriya	50 000	(50 000) b/	-	-	-	-
Senegal	706 713	(706 713) b/	-	-	-	-
Spain	-	86 207	-	-	-	86 207
Sudan	5 000 000	(5 000 000) b/	-	-	-	-
Uruguay	-	2 500	-	2 500	-	-
United Republic of Tanzania	60 000	(60 000) b/	-	-	-	-
Venezuela	3 003 488	-	-	-	-	3 003 488
Subtotal	8 912 947	(5 438 941)	-	381 120	(3 191)	3 089 695
WIDER Trust Fund - Operating Fund						
Finland	-	3 556 691	-	3 556 691	-	-
Subtotal	-	3 556 691	-	3 556 691	-	-

SCHEDULE 2.1 (concluded)

Countries/funds	Unpaid pledges as at 1 January 1988	Add: Pledges for 1988-1989 and adjustments	Add: Pledges for future years	Less: Collection during 1988 and 1989	Add: Gain/(loss) on exchange	Unpaid pledges as at 31 December 1989
WIDER Trust Fund - Endowment Fund						
India	-	75 000	925 000	75 000	-	925 000
Finland	-	6 000 000	-	6 021 481	21 481	-
Sweden	-	1 095 462	-	1 132 686	37 224	-
Subtotal	-	7 170 462	925 000	7 229 167	58 705	925 000
Other trust funds						
INRA Trust Fund - Operating Fund						
France	456 621	2 587 519	-	-	-	3 044 140
INRA Trust Fund - Endowment Fund						
Côte d'Ivoire	5 000 000	-	-	-	-	5 000 000
Ghana	250 000	-	-	250 000	-	-
Nigeria	-	100 000	50 000	50 000	-	100 000
Zambia	2 000 000	-	-	600 000	-	1 400 000
INTECH Trust Fund - Endowment Fund						
Netherlands	-	9 389 671	4 694 836	9 389 671	-	4 694 836
Others						
Finland	-	586 121	-	586 121	-	-
Sweden	-	710 006	-	710 172	166	-
Norway	-	20 852	10 000	20 852	-	10 000
Subtotal	7 706 621	13 394 169	4 754 836	11 606 816	166	14 248 976
Grand total	16 651 434 c/	22 501 700	6 079 836	26 238 914	46 339	19 040 395

a/ See note (e) on statement II.

b/ Deletion of long outstanding pledges for which collections will be treated as current income when received (para. 4 in financial report).

c/ Represents total unpaid pledges of $26,552,749, less $9,901,315 future years' pledges unpaid as at 31 December 1987.

SCHEDULE 2.2

UNITED NATIONS UNIVERSITY

OTHER TRUST FUNDS

Schedule of income and expenditure and fund balance for the biennium 1988-1989 ended 31 December 1989

(United States dollars)

Donor/trust funds	Fund balance 1 January 1988	Income	Expenditure	Fund balance 31 December 1989
WIDER - Special Programme	119 846	-	119 846	-
WIDER - James S. McDonnell Distinguished Scholars Chair at WIDER	83 339	216 661	152 781	147 219
WIDER - Hunger and Poverty	184 096	97 031	181 630	99 497
WIDER - Special Finnish Project	199 428	586 121	555 598	229 951
WIDER - Technological Transformation in the Third World	90 000	-	85 329	4 671
WIDER - Stabilization and Adjustment Policies in Developing Countries	120 000	-	108 847	11 153
WIDER - Environment and Development	-	159 660	82 547	77 113
WIDER - Stabilization and Adjustment Policies in Developing Countries	-	270 063	58 140	211 923
WIDER - Overdevelopment and Underdevelopment	-	165 200	8 640	156 560
WIDER - Trade and Industrialization Reconsidered	-	92 211	-	92 211
WIDER - Extended Country Study on the Programme of Adjustment for Recovery and Growth on Nicaragua	-	108 438	4 158	104 280
WIDER - Trade Industrialization Reconsidered - Medium-Term Development Strategy	-	350 000	-	350 000
WIDER - Medium-term Effects of Stabilization and Adjustment in Nicaragua	-	123 454	29	123 425

SCHEDULE 2.2 (concluded)

Donor/trust funds	Fund balance 1 January 1988	Income	Expenditure	Fund balance 31 December 1989
United Nations University Housing Assistance Trust Fund	37 906	1 607	3 642	35 871
United Nations University Library Trust Fund	31 162	3 895	5 096	29 961
Institute for Natural Resources in Africa - Endowment Fund	7 350 998	191 339	-	7 542 337
Institute for Natural Resources - Operating Fund	631 621	2 587 519	3 423	3 215 717
Institute for New Technology - Endowment Fund	-	9 900 990	-	9 900 990
Institute for New Technology - Operating Fund	-	-	-	-
	8 848 396 a/	14 854 189	1 369 706	22 332 879

a/ Certain activities previously reported separately in this schedule have been incorporated into the budget of the General Account Operating Fund with effect 1 January 1988. The Fund balance associated with these activities ($1,497,431) has been transferred as at the same date.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of the United Nations University:

(a) The United Nations University accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller, and in conformance with generally accepted government accounting principles. The United Nations University follows the International Accounting Standard 1 on the disclosure of accounting policies as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified;

(b) The United Nations University financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services;

(c) Fund accounting. The United Nations University accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Each fund is reported separately in the financial statements;

(d) The income and expenditure and assets and liabilities are recognized on the accrual basis of accounting;

(e) Translation of currencies. The accounts of the United Nations University are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements;

(f) Pledged contributions. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges received for future years are recorded as deferred income;

(g) Investments. These comprise securities, stocks and bonds acquired by the United Nations University to produce income. Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash. Apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (e) above, all investments are stated at cost. No provision is made for amortization of premiums or discounts which are taken into account as part of the gain or loss when investments are sold;

(h) Deferred charges:

(i) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial period;

(ii) For balance-sheet statement purposes, only that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered;

(i) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the University. Acquisitions are charged against budgetary accounts in the year of purchase;

(j) No provision is made for repatriation grant entitlements or to meet contingencies under appendix D of the United Nations Staff Rules of the United Nations, as funds are provided for in the budget of the University;

(k) All government contributions, unless otherwise specified, are credited to the United Nations University Endowment Funds. Separate Endowment Funds are maintained for the General Account of the University and for those major research and training centres for which contributions have been specifically designated;

The principal of the Endowment Funds is invested so as to keep the original contributions intact. The interest from the investment of the Endowment Funds is being used for the purpose of covering the costs necessary for the operations of the University;

(l) Miscellaneous income:

(i) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income;

(ii) Monies accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iii) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is debited to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(iv) The proceeds from the sale of surplus property are credited to miscellaneous income of the respective funds;

(m) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) and also its supporting administrative instructions, documents ST/AI/285 and ST/AI/286, although, as indicated in paragraph 3 of document ST/SGB/188, that bulletin does not apply to such institutions as the United Nations University, which are subject to the administrative authority of their executive heads.

Note 2. Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in United States dollars, included in statement II as at 31 December 1989.

	Less than one year	More than one year	Total
Staff	139 948	9 509	149 457
Vendor	21 580	60 060	81 640
United Nations	31 054	-	31 054
Others (includes accrued interest)	3 567 010	-	3 567 010
Total accounts receivable	3 759 592	69 569	3 829 161

Note 3. Deferred charges

The following table is an analysis of the deferred charges, expressed in United States dollars, included in statement II as at 31 December 1989.

	Total
Education grant advances	14 093
Charges in transit from offices away from Tokyo (inter-office vouchers)	61 230
Total	75 323

Note 4. Accounts payable

The following table is an analysis of the accounts payable, expressed in United States dollars, included in statement II as at 31 December 1989.

	Total
Staff	286
Vendors	8 903
UNDP	59 993
Others	282 547
Total accounts payable	351 729

Note 5. Pledged contributions unpaid

The following table is an aged analysis of the pledged contributions unpaid, expressed in United States dollars, included in statement II as at 31 December 1989.

	Less than two years/ future years	More than two years/ less than five years	More than five years	Total
Brazil	275 000	-	-	275 000
Côte d'Ivoire	5 000 000	-	-	5 000 000
Egypt	250 000	-	-	250 000
France	3 044 140	-	-	3 044 140
India	925 000	-	-	925 000
Netherlands	4 694 836	-	-	4 694 836
Nigeria	100 000	-	-	100 000
Norway	10 000	-	-	10 000
Spain	137 931	-	-	137 931
Switzerland	200 000	-	-	200 000
Venezuela	-	-	3 003 488	3 003 488 a/
Zambia	1 400 000	-	-	1 400 000
Total	16 036 907	-	3 003 488	19 040 395

a/ A memorandum of understanding and agreement, signed at Caracas on 8 January 1988 and in Tokyo on 15 March 1988, provides for the payment of this pledge in due course, although it has been suspended for the time being.

Note 6. Cash and investments

The following table is a status of the cash and investments by currencies and funds, expressed in United States dollars, included in statement II as at 31 December 1989.

	General account	WIDER Trust Fund	Other trust fund	Total
United States dollars	90 511 549	17 524 184	-	108 035 733
Japanese yen	43 289 029	-	51 107	43 340 136
Pounds sterling	10 568 397	-	-	10 568 397
Finnish markkaa	-	16 990 554	229 951	17 220 505
Dutch guilders	15 792	-	9 900 990	9 916 782
Others	479 315	-	-	479 315
Total	144 864 082	34 514 738	10 182 048	189 560 868

Note 7. UNITED NATIONS UNIVERSITY

Major objects of expenditure by divisions for the biennium 1988-1989 as at 31 December 1989

(United States dollars)

Divisions	Budget allocated for 1988-1989	Staff and others personnel costs	Travel	Contractual services	Operating expenses	Acquisitions	Fellowships, grants, others	Total	Unobligated balance
Programme									
United Nations University Centre a/	21 656 033	9 235 524	222 280	1 244 517	204 710	-	6 851 134	17 758 165	3 897 868
WIDER	11 004 000	3 062 622	234 047	235 675	960 171	89 240	3 219 809	7 801 564	3 202 436
Administrative services	6 823 000	5 088 923	29 130	54 529	971 576	34 762	-	6 178 920	644 080
Rector's office	3 956 000	2 941 415	243 655	-	89 816	-	-	3 274 886	681 114
Council	902 000	177 646	470 336	120 939	66 562	59	-	835 542	66 458
Total	44 341 033	20 506 130	1 199 448	1 655 660	2 292 835	124 061	10 070 943	35 849 077	8 491 956

a/ Includes the budget for the Institute for Natural Resources in Africa, which is not yet fully operational.

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39